

## **Task Force on Open Space Acquisition**

Date: November 17, 2004

Time: 7:30

Place: Senior Center, Falls Church Community Center

### **Meeting Notes**

Attending: Barry Buschow, Rob Meeks, Marty Meserve, Lindy Hockenberry, Christina Goodwin, Howard Herman, Gary Fuller, and Wyatt Shields. Also present were Tom Edmonds, Joyce Berg, and Mary Beth Sutton. Guests included Bonnie France, McGuire Woods, LLP, Roy Thorpe, and John Tuohy.

Mr. Buschow opened the meeting at 7:35 pm with introductions. Bonnie France then led a discussion on bond financing which included the following items:

#### *General Obligation Bonds:*

- A referendum on the issuance of GO bonds is generally required for counties, but most cities can issue GO bonds without a public referendum.
- Falls Church is an exception to this, owing to a Council Resolution establishing a referendum requirement for any debt issuance greater than 10 percent of annual expenditures. (Currently, this is the equivalent to \$5.2 million).
- Investors tend to like GO bonds, as they are backed by the general taxing authority of the jurisdiction, which, all things being equal, results in favorable interest rates relative to other forms of debt.

#### *Revenue Bonds:*

Not applicable to open space acquisition.

#### *“Non-debt financing”.*

A creative form of debt, most often used by counties to get around the referendum requirement. The debt service stream is “subject to annual appropriation”. These types of bonds do not count toward the localities debt ceiling, but have higher interest rates.

#### *Bank Qualified debt*

This is the equivalent to a line of credit, where you draw the funds down, as you need them. Typically, this type of instrument carries a higher interest rate, therefore it may not be cost effective for a borrower over \$5 million.

#### *Blended bonds:*

This is a bond issue for a number of different types of projects. Localities have used these to couple popular items with less popular projects in order to get them through referendum. Arlington County and Fairfax County have stopped this practice, after

receiving criticism, and typically they will separate things out to allow voters greater choice in approving projects on the ballot.

Park Bond/Open Space bonds have been typically been popular in the region. Usually, individual parcels are not identified to the voters when they vote for a bond referendum, or in the bond issuance. Rather, the bond issuance can be generic: for parkland acquisition. The problem with listing them publicly is that you can have NIMBY issues, and, more likely, it hurts the localities negotiating position.

#### *Time limits on spending funds after sale of bonds.*

Maximum time limits:

- From bond referendum to bond issuance: three years.
- From Issuance to expenditure of proceeds: two – three years. Typically, three years would be maximum amount of time a locality would allow to elapse after closing on the sale of bonds. IRS rules against arbitrage (since the municipal bonds are tax free, the IRS does not allow localities to make an interest profit on unspent bond proceeds.)

Minimum time to issue:

- GO bonds typically require a minimum of 60 days to issue (not including referendum, if required.)

#### *Staggered bond sales*

There are several considerations with respect to staggering a bond sale, including interest rate trends (if rates are low now, it may be better to issue the bonds now, rather than wait as rates may rise), and transaction costs. Given the debt amounts we are talking about in terms of open space acquisition, the transaction costs (attorney's fees, broker fees) may not be justify multiple staggered bond sales.

#### *Debt Policies*

Rating agencies look at indicators of fiscal health in assessing the risk of default.

Indicators include:

- The ratio of total debt to total assessed value of real estate. The City's policy is that debt cannot exceed 5% of total assessed value.
- The ratio of annual debt service to total annual expenditures. The City's policy is that debt service cannot exceed 12% of annual expenditures.
- Ratio of debt per capita. The City's does not have a policy on debt per capita, and historically, our debt per capita ratio is high relative to surrounding jurisdictions.

#### *Bond Pools*

Virginia Resources Authority

State open-space revolving fund.

Low interest loans for open space acquisition.

Poorly funded by the state, funds are not often available in a given fiscal year.

VACO/VML bond pool.

No restriction on uses  
Bond insurance required, because it is a small pool.  
Not a good deal for localities with strong bond rating like Falls Church.

#### *Service Districts*

Special Tax District

Possible: make the whole city a Service District for Open Space.

No voter approval required.

Dedicated revenue stream for debt service.

At 8:45, Bonnie France left the meeting.

The discussion continued with Mr. Thorpe and Mr. Tuohy on land acquisition strategies.

#### *Confidentiality.*

Land acquisition discussions by local government can be conducted in closed session.

There was a discussion of the merits of confidentiality and the balance between protecting the city's negotiating position and having a property acquisition program that has broad popular support. This discussion was not fully resolved at this meeting.

#### *Roles, Authority, and Process*

The sequence of events for local government land purchasing was described as follows:

- CM obtains an appraisal of the property.
- City Council directs City Manager to negotiate for purchase of property in closed session.
- If negotiations result in a price the City Manager feels the Council will accept, CM negotiates a contract, contingent upon Council approval in public session.
- If negotiations are not successful, CM reports back to Council. Council decides whether or not to direct CM to proceed with condemnation. If so, condemnation resolution is prepared for Council vote in public session.
- Typically, at that point, the seller agrees to sell, however if not, the CM manager has authority to proceed through courts.
- Note: Sale or purchase of land by the City must go through Planning Commission for recommendation.

The meeting adjourned at 9:45 pm.